

## Interim report for the Cloetta Fazer Group January-September 2003

- Net sales amounted to MSEK 2,075 (2,100)
- Operating profit of MSEK 214 (249) and operating margin of 10.3 per cent (11.9)
- Profit after net financial items totalled MSEK 228 (256)
- Profit after tax reported at MSEK 155 (179)
- Earnings per share reached SEK 6.46 (7.56)

### Profit and sales

#### *January – September 2003*

The Cloetta Fazer Group's operating profit amounted to MSEK 214 (249), corresponding to an operating margin of 10.3 per cent (11.9).

Profit after net financial items was MSEK 228, down MSEK 28 from the year-earlier figure. The decrease compared with the preceding year is attributable to the second and third quarters. Net financial items for the period totalled MSEK 14, compared with MSEK 7 the year before.

Net profit after tax was MSEK 155 (179), corresponding to earnings per share of SEK 6.46 (7.56). Upon full conversion of outstanding convertible debentures, earnings per share would amount to SEK 6.44 (7.47).

Consolidated sales are reported at MSEK 2,075 (2,100). Adjusted for currency effects upon translation of foreign subsidiaries, sales were on a level with the previous year.

The total market in Sweden has contracted somewhat, whereas the Finnish market has grown by 6 per cent. Cloetta Fazer succeeded in defending its strong positions in both main markets.

Combined operating profit in our two main markets, Sweden and Finland, was on par with the corresponding period of 2002 despite a weak third quarter. Sales of our key brands have risen somewhat over the previous year and the other brands have shown volume growth, while sales in the pick-and-mix segment declined. Profits are down on the Nordic market due to lower sales in Denmark and Norway and the so-called Travel Trade, i.e. sales on ferries and at airports.

Sales outside the Nordic region, where the Polish market accounts for more than 50 per cent, were down by MSEK 18 compared with the previous year. However, over half of this decrease is attributable to currency effects from translation of foreign subsidiaries. Operating profit fell short of the year-earlier figure by MSEK 22, mainly due to unfavourable

development in Poland. Lower sales volumes, rising raw material costs and a weaker currency have generated a deficit in Poland compared with the preceding year. Intense competition in the market has narrowed the scope to offset cost increases through higher prices. Measures have been taken to reverse the negative trend.

#### *July – September 2003*

Operating profit for the third quarter was MSEK 71, down MSEK 23 from the same period of last year. The operating margin was 10.2 per cent, compared with 13.0 per cent in the previous year. The drop in profit occurred during July and August, while September showed positive growth.

Cloetta Fazer's third quarter sales in the main markets, Sweden and Finland, outperformed the total market. Sales were down by MSEK 26 to MSEK 695. Most of the decrease referred to the Nordic market, where lower volumes and gross margins also caused a drop in profit to MSEK 74, down MSEK 14 from the previous year. The lower gross margins are a result of increased production overheads, mainly rising costs for cocoa products, which we have been unable to compensate through price increases.

Sales outside the Nordic region, adjusted for currency effects, matched the year-earlier figure of MSEK 95. However, operating profit declined by MSEK 9 to MSEK -3 mainly as an effect of weaker gross margins.

#### *Rolling 12-month profit*

Operating profit for the period October 2002 – September 2003 amounted to MSEK 359, down 8 per cent from the same period of 2001/2002. The operating margin was 11.7 per cent, compared with 12.8 in the preceding period. Sales reached MSEK 3,060, which was on a level with the previous year both invoicing and volume-wise.

Falling cocoa prices will have only a partial impact on fourth quarter earnings due to forward contracts currently in force.

The final quarter of the year is the most significant in terms of earnings, since the Christmas sales fall during this period.

## Financing and liquidity

Cash, bank and short-term investments totalled MSEK 519 (441). The Group's cash flow from operating activities was MSEK 68 (143). Investments affected cash flow with a net amount of MSEK -145 (-76).

Net liquid assets and interest-bearing receivables exceeded interest-bearing liabilities by MSEK 407 (341).

The equity ratio at 30 September was 76 per cent (74).

## Investments

Gross expenditure in plant and equipment amounted to MSEK 145 (84). Most of the increase compared with last year pertains to the acquisition of land in Vantaa during the second quarter. Depreciation totalled MSEK 112 (112), of which MSEK 18 (20) referred to amortisation of goodwill and other intangible assets.

Investments during the third quarter amounted to MSEK 42, compared with the year-earlier figure of MSEK 29.

## Personnel

The average number of employees during the period was 1,976 (2,049).

## Parent Company

The Parent Company's sales were reported at MSEK 56 (50) and referred mainly to intra-group services and rents. Profit after financial items amounted to MSEK 375 (209). Net financial items consisted mainly of dividends from subsidiaries. Cash, bank and short-term investments totalled MSEK 514 (432).

## The Cloetta Fazer Share

Cloetta Fazer's class B share is quoted on the Attract 40 list of the Stockholm Stock Exchange's O list. A round lot consists of 50 shares. The trading volume during the period January-September 2003 was 1,226,224 shares. The highest bid price paid was SEK 190 and the lowest was SEK 164. On 30 September the share was quoted at SEK 176.

The maximum dilution effect of the outstanding convertibles and subscribed options programme amounts to 1.18 per cent of the share capital and 0.43 per cent of the votes.

## Shareholders

Cloetta Fazer had 6,165 shareholders at 30 September 2003. The percentage of shares held by the principal owners and institutional shareholders changed marginally compared with year-end and the preceding interim period.

## Convertible debenture loan

Convertible debenture loans corresponding to 56,762 class B shares were converted during the period, increasing shareholders' equity by MSEK 7. The total number of shares thus amounted to 24,049,444, of which the number of class B shares was 19,389,444. Outstanding convertibles correspond to 69,798 class B shares.

## Accounting principles and other disclosures

### General

This interim report has been prepared according to the same principles applied in the most recent annual report. The new recommendations of the Swedish Financial Accounting as of 2003 have not had any effect on the Group's reported profit and financial position for earlier periods.

### Segment reporting

The Swedish Financial Accounting Standards Council's recommendation RR 25, Segment reporting, is effective as of 2003 and is to be applied in the preparation of complete financial reports. The interim report contains only segment-specific information about sales and profit by market. Complete data according to this recommendation is provided in the annual report.

The Group's primary segments are geographic markets.

The Nordic region comprises the Group's largest contiguous market. The emphasis is on sales in Sweden and Finland. Sales outside the Nordic region, which make up around 12 per cent of total sales, are reported as other markets. These refer primarily to Poland, the Baltic countries, Russia, the UK, Germany, the Czech Republic and the USA.

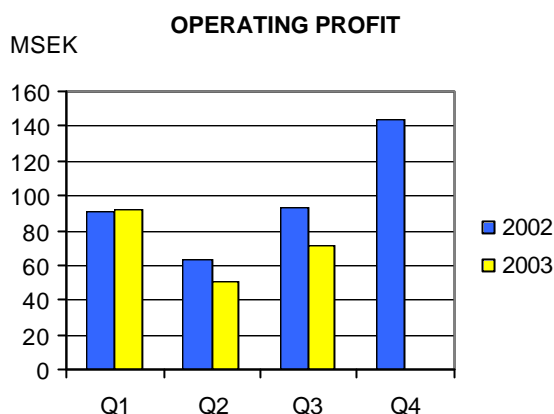
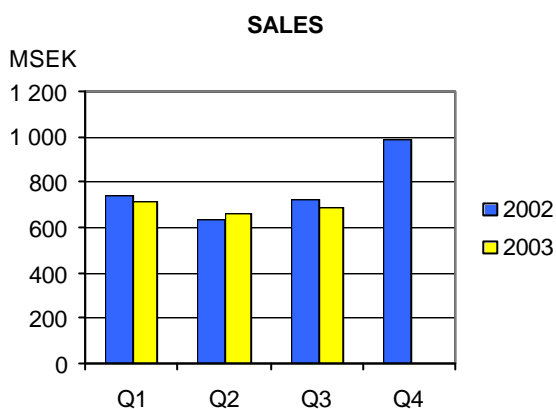
### Related party disclosures

Sales of goods and services to companies in the Cloetta Fazer Group made up 3.2 per cent (3.9) of total sales. Of total service sales of MSEK 39 (43), services sold to related parties made up MSEK 15.9 per cent (13.1). Sales to associated companies accounted for 3.7 per cent (4.0) of total sales. Intra-group purchasing was negligible. Buying and selling of goods and services between closely related companies has been carried out at market-based prices. Outstanding receivables from these companies totalled MSEK 23 (28).

In connection with the merger of Cloetta and Fazer's confectionery operations in 2002, an agreement was signed with Oy Karl Fazer Ab for the acquisition of land previously leased and used by the Vantaa plant outside Helsinki. The acquisition was completed at the end of June, after which Cloetta Fazer owns both the land and buildings. The purchase price amounted to MSEK 46, which is based on an appraisal by two independent valuation institutes.

## Financial calendar 2004

Year-end report for 2003	6 February
Interim report January-March	20 April
Interim report January-June	17 August
Interim report January-September	19 October



### Summary consolidated profit and loss accounts, MSEK

	2003 July-Sept	2002 July-Sept	2003 Jan-Sept	2002 Jan-Sept	Oct 2002- Sept 2003	2002 full year
<b>Net sales</b>	<b>695</b>	721	<b>2,075</b>	2,100	3,060	<b>3,085</b>
Cost of goods sold	-473	-465	-1,360	-1,350	-2,000	-1,990
<b>Gross profit</b>	<b>222</b>	256	<b>715</b>	750	1,060	<b>1,095</b>
Selling and administration costs	-162	-173	-539	-544	-750	-755
Share in profit of associated companies before tax	-1	-	-2	2	4	8
Other operating income	12	11	40	45	48	53
Other operating expenses	-	-	-	-4	-3	-7
<b>Operating profit</b>	<b>71</b>	94	<b>214</b>	249	359	<b>394</b>
Financial items	3	2	14	7	18	11
<b>Profit after financial items</b>	<b>74</b>	96	<b>228</b>	256	377	<b>405</b>
Tax	-25	-29	-72	-76	-118	-122
Minority share in profit for the period	-1	-	-1	-1	-1	-1
<b>Net profit for the period</b>	<b>48</b>	67	<b>155</b>	179	258	<b>282</b>

### Earnings per share, SEK

	2003 July-Sept	2002 July-Sept	2003 Jan-Sept	2002 Jan-Sept	Oct 2002- Sept 2003	2002 full year
Earnings per share before dilution	2.01	2.80	6.46	7.56	10.76	11.88
Earnings per share after dilution <sup>1)</sup>	2.01	2.79	6.44	7.47	10.71	11.74

1) The dilution effect of the options programme is negligible with regard to the present value of the subscription/exercise price and the average share price during the period.

### Summary profit and loss accounts by segment, MSEK

	2003 July-Sept	2002 July-Sept	2003 Jan-Sept	2002 Jan-Sept	Oct 2002- Sept 2003	2002 full year
<b>Net sales</b>						
Nordic countries	600	624	1,827	1,834	2,705	2,712
Other markets	95	97	248	266	355	373
<b>Total net sales</b>	<b>695</b>	721	<b>2,075</b>	2,100	3,060	<b>3,085</b>
<b>Operating profit</b>						
Nordic countries	74	88	220	233	367	380
of which, share in profit of associated companies	-1	-	-2	2	4	8
Other markets	-3	6	-6	16	-8	14
<b>Total operating profit</b>	<b>71</b>	94	<b>214</b>	249	359	<b>394</b>

### Quarterly data, MSEK

	2003 Jan-Mar	2003 Apr-June	2003 July- Sept	2002 Jan-Mar	2002 Apr-June	2002 July-Sept	2002 Oct-Dec	2002 full year
Net sales	719	661	695	742	637	721	985	3,085
Operating profit	92	51	71	91	64	94	145	394
Operating margin, %	12.8	7.7	10.2	12.3	10.1	13.0	14.7	12.8
Earnings per share, SEK	2.85	1.60	2.01	2.83	1.93	2.80	4.32	11.88
Cash flow from operating activities	39	-39	68	42	36	65	283	426

## Summary consolidated balance sheets, MSEK

	2003 30 Sept	2002 30 Sept	2002 31 Dec
Intangible assets	259	277	277
Tangible assets	987	986	963
Financial assets	73	75	81
Inventories	380	377	285
Current receivables	454	422	397
Cash, bank and short-term investments	519	441	717
<b>Total assets</b>	<b>2,672</b>	<b>2,578</b>	<b>2,720</b>
Shareholders' equity	2,029	1,903	2,019
Minority interests	2	2	2
Provisions	269	266	291
Long-term liabilities	9	18	16
Current liabilities	363	389	392
<b>Total shareholders' equity and liabilities</b>	<b>2,672</b>	<b>2,578</b>	<b>2,720</b>

## Specification of shareholders' equity, MSEK

	2003 30 Sept	2002 30 Sept	2002 31 Dec
Shareholders' equity on 1 January	2,019	1,823	1,823
Effect of changed accounting principle	-	-11	-11
Adjusted equity	2,019	1,812	1,812
Conversion of convertible debenture loan	7	66	68
Dividends	-120	-118	-118
Translation differences	-32	-36	-25
Net profit for the period	155	179	282
Shareholders' equity at end of period	2,029	1,903	2,019

## Summary consolidated cash flow statements, MSEK

	2003 July-Sept	2002 July-Sept	2003 Jan-Sept	2002 Jan-Sept	Oct 2002- Sept 2003	2002 full year
<b>Cash flow from operating activities</b>	<b>68</b>	<b>65</b>	<b>68</b>	<b>143</b>	<b>351</b>	<b>426</b>
<b>Investing activities</b>						
Net investments in fixed assets	-42	-29	-145	-76	-172	-103
<b>Cash flow from investing activities</b>	<b>-42</b>	<b>-29</b>	<b>-145</b>	<b>-76</b>	<b>-172</b>	<b>-103</b>
<b>Financing activities</b>						
Change in interest-bearing liabilities	10	8	1	19	21	39
Dividends to shareholders including minority shares	-	-	-121	-119	-121	-119
<b>Cash flow from financing activities</b>	<b>10</b>	<b>8</b>	<b>-120</b>	<b>-100</b>	<b>-100</b>	<b>-80</b>
<b>The period's cash flow</b>	<b>36</b>	<b>44</b>	<b>-197</b>	<b>-33</b>	<b>79</b>	<b>243</b>
<b>Liquid assets at beginning of period</b>	<b>483</b>	<b>397</b>	<b>717</b>	<b>476</b>	<b>441</b>	<b>476</b>
Translation difference pertaining to liquid assets	-	-	-1	-2	-1	-2
<b>Liquid assets at end of period</b>	<b>519</b>	<b>441</b>	<b>519</b>	<b>441</b>	<b>519</b>	<b>717</b>

## Key ratios

	2003 Jan-Sept	2002 Jan-Sept	2002 full year
Operating margin, %	10.3	11.9	12.8
Return on capital employed, % <sup>1)</sup>	18.4	20.4	20.2
Return on shareholders' equity after tax, % <sup>1)</sup>	13.1	15.5	14.8
Net receivable (+) / Net debt (-), MSEK	407	341	594
Equity ratio, %	76.0	73.9	74.3
Shareholders' equity per share, SEK	84.38	79.38	84.15
Average number of employees	1,976	2,049	2,186
Number of shares at end of period	24,049,444	23,977,879	23,992,682
Average number of shares during the period	24,032,615	23,691,491	23,763,417
Number of shares upon full conversion	24,119,242	24,119,263	24,119,263
Number of shares added upon exercise of outstanding options programme	213,200	213,200	213,200

1) refers to rolling 12-month figures

Solna, 17 October 2003

Cloetta Fazer AB (publ)

Karsten Slotte

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The information in this report has not been examined by the company's auditors

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